

Message Text

CONFIDENTIAL

PAGE 01 LIMA 06544 122329Z

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TAGS: EINV, EMIN, PFOR, PE, US

SUBJ: MARCONA EXPROPRIATION - NEGOTIATING TACTICS

REF: LIMA 6484

1. PHILIP MARKERT, LOCAL FNCB MANAGER, CALLED ON A/DCM AFTERNOON AUGUST 11. HE SAID PRESIDENT OF FNCB IN NEW YORK HAD BEEN TELEPHONED BY PRESIDENT OF MARCONA WHO HAD ASKED IF THERE WAS ANY WAY FNCB MIGHT HELP IN MATTER. MARKERT SAID THAT TWO THOUGHTS OCCURRED TO HIM. FIRST, HE SAID HE IS PREPARED TO APPROACH GENERAL MIRO QUESADA, HEAD OF MINEROPERU, WITH WHOM HE HAS HAD SOME DEALINGS. MIRO QUESADA, HE BELIEVED, WOULD BE PREPARED TO SUGGEST TO BOSSIO OF HIERROPERU AND TO MINPECO THAT IRON ORE BE DELIVERED TO MINPECO TO SUPPLY MARCONA CONTRACTS. SECOND, HE IS PREPARED TO TALK WITH ALVARO MENESES, GENERAL MANAGER OF THE BANCO DE LA NACION, TO PROPOSE A METHOD WHEREBY FNCB COULD ASSIST IN PROVIDING FINANCING FOR ORE SHIPMENTS. MENESES, HE THOUGHT, COULD BE PERSUADED TO ADVANCE THIS IDEA TO MINEROPERU COMERCIAL AND HIERROPERU AS HIS OWN. MARKERT BELIEVED THAT IF THESE THOUGHTS APPEARED TO COME AS PERUVIAN IDEAS FROM PERUVIAN SOURCES, THIS WOULD BE TACTICALLY SUPERIOR. SIMILAR IDEAS FROM MARCONA SOURCES WERE LIKELY TO BE GREETED WITH GREATER RESERVE.

2. COMPTON LATER JOINED MEETING. HE SAID THAT, WHILE HE APPRECIATED THIS OFFER TO HELP AND THOUGHT THAT MARKERT'S IDEAS HAD SOME MERIT, MARCONA'S THOUGHT HAD BEEN TO INVOLVE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 06544 122329Z

SOME LEADING U.S. FINANCIAL FIGURE TO ACT AS A POINT OF CON-

TACT AND NEGOTIATOR WITH GOP IN MUCH THE SAME MANNER AS JAMES GREENE HAD RESOLVED EARLIER INVESTMENT DISPUTES. MARCONA HAD TURNED TO FNCB IN THAT SPIRIT. HE THEREFORE WAS INCLINED TO BELIEVE THAT MARKERT'S SUGGESTIONS WOULD FALL SHORT OF MARCONA'S OBJECTIVE.

3. ON MORNING AUGUST 12, COMPTON TELEPHONED A/DCM TO REPORT THAT HE HAD SPOKEN TO HIS SUPERIORS AND THAT THE SITUATION WAS AS HE HAD DESCRIBED. MARCONA HEADQUARTERS BELIEVED THAT FNCB INVOLVEMENT AT THE LOCAL LEVEL WOULD NOT BE DESIRABLE AT THIS POINT AND CONTINUED TO BE OF THE OPINION THAT IF THIRD PARTY WERE TO BE INVOLVED, THIS WOULD HAVE TO BE AT THE VERY TOP LEVEL THROUGH THE INTERMEDIARY OF A SENIOR NEGOTIATOR. HE THEN SAID THAT, WHILE GORDON FURTH IS PREPARED TO COME TO LIMA TO MEET WITH GOP OFFICIALS ON AUGUST 14, HE WOULD HAVE TO KNOW BY COB AUGUST 12 THAT MEETING WAS FIRM AS HE HAD OTHER COMMITMENTS TO SCHEDULE. EMBASSY MIGHT HAVE TO INFORM GARCIA BEDOYA AT FOREIGN MINISTRY THAT AUGUST 14 NOT CONVENIENT FOR FURTH AND TO SUGGEST LATER DATE.

4. AMBASSADOR SUBSEQUENTLY SPOKE WITH COMPTON AND POINTED OUT THAT EMBASSY'S BEST EFFORTS HAVE BEEN DEVOTED TO SCHEDULING MEETING FOR AUGUST 14 AND THAT WE HAVE RECEIVED ENCOURAGEMENT THAT MEETING WILL IN FACT TAKE PLACE ON THAT DATE. IN EMBASSY VIEW, MEETING SHOULD BE ACCORDED TOP PRIORITY, AND PSYCHOLOGICAL EFFECT OF REQUESTING POSTPONEMENT WOULD BE DAMAGING. COMPTON SAID HE UNDERSTOOD AND THAT HE THOUGHT FURTH WOULD BE PREPARED TO COME IF EMBASSY RECEIVED CONFIRMATION OF MEETING BY MORNING AUGUST 13.

5. COMMENT: WE ARE BEGINNING TO BE CONCERNED THAT WE AND MARCONA MAY NOT BE ON ENTIRELY THE SAME WAVE LENGTH IN OUR APPROACH TO THIS PROBLEM. AMBASSADOR'S EFFORTS HAVE BEEN AIMED AT INCREASING AWARENESS ON PART SENIOR GOP OFFICIALS OF CONSEQUENCES OF CONTINUED BREAK WITH MARCONA WHILE REASSURING THEM THAT MARCONA IS PREPARED TO COOPERATE IN FINDING REASONABLE INTERIM SOLUTIONS TO PERMIT MINE TO FUNCTION WHILE AMICABLE RESOLUTION OF PRINCIPAL PROBLEM IS BEING NEGOTIATED. EMBASSY HOPES IN THIS MANNER THAT GOP WILL BE ENCOURAGED TO APPROACH BARGAINING TABLE WITH THOUGHT THAT SERIOUS

CONFIDENTIAL

PAGE 03 LIMA 06544 122329Z

NEGOTIATIONS ARE POSSIBLE. WE ARE CERTAIN THAT MARCONA OFFICIALS ALSO INTEND TO APPROACH NEGOTIATIONS CONSTRUCTIVELY. HOWEVER, WE ARE CONCERNED THAT THEY MAY HAVE BECOME SO WEDDED TO THOUGHT THAT ONLY NEGOTIATIONS OF GREENE MISSION TYPE WILL BE SUCCESSFUL THAT THEY MAY VIEW FORTHCOMING ROUND AS FOREDOOMED TO FAILURE.

6. IN EMBASSY VIEW, EFFORT TO INITIATE HIGH-LEVEL NEGOTIA-

TIONS OF GREENE MISSION VARIETY AT THIS STAGE WOULD NOT BE AS USEFUL AS TALKS OF THE KIND WE HAVE IN MIND. GREENE MISSION APPROACH SHOULD BE HELD IN RESERVE SHOULD LOWER-LEVEL NEGOTIATION FAIL (WHICH MAY WELL EVENTUALLY BE THE CASE). GREENE MISSION APPROACH MIGHT EVEN HAVE NEGATIVE RESULTS SINCE WE KNOW THAT PRESIDENT VELASCO WAS ANNOYED BY PAYOUT TO EXXON. IT FURTHER APPEARS INCREASINGLY LIKELY THAT DECISION TO EXPROPRIATE MARCONA WAS HIS. HE MIGHT THEREFORE HAVE DUAL REASON TO RESENT HIGH-LEVEL MISSION WHILE HAVEING LESS REASON TO RESIST SOLUTION AT TECHNICAL LEVEL. WE UNDERSTAND AND ARE PREPARED TO SUPPORT HIGH-LEVEL MISSION AT A LATER STAGE, BUT WE THINK TECHNICAL-LEVEL MEETINGS SHOULD BE TRIED FIRST. IN THIS CONNECTION, WE ALSO BELIEVE THAT THIRD-PARTY ASSISTANCE OF TYPE PROPOSED BY MARKERT WOULD BE HELPFUL.

7. IF DEPARTMENT AGREES, WE WOULD SUGGEST THAT DEPARTMENT MIGHT CONVEY THESE VIEWS TO MARCONA. (WE HAVE TAKEN POSITION WITH COMPTON THAT WE VIEW OUR ROLE AS ONE OF BEING AS HELPFUL AS WE CAN WITHOUT ATTEMPTING TO TELL THE COMPANY WHAT TO DO.) WE RECOGNIZE THAT MANY OTHER IMPORTANT U.S. INTERESTS WILL BE HARMED BY FAILURE TO RESOLVE THE MARCONA PROBLEM, AND OUR CONCERN IS THAT WE CAN CONTINUE OUR CLOSE COOPERATION WITH THE COMPANY IN DETERMINING STRATEGIES THAT WILL BEST SERVE INTERESTS OF ALL CONCERNED.
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